

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clio Area Fire Authority	County Genesee
Fiscal Year End 03-31-06	Opinion Date 05-10-06	Date Audit Report Submitted to State JUNE 15, 2006	

We affirm that:

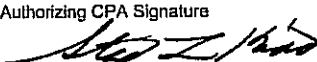
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lewis & Knopf, P.C.		Telephone Number 810-238-4617	
Street Address 5206 Gateway Centre - Ste 100		City Flint	State MI
Authorizing CPA Signature 		Printed Name Stephen L. Kidd	Zip 48507
		License Number 1101011609	

CLIO AREA FIRE AUTHORITY

CLIO, MICHIGAN

REPORT FOR THE YEAR ENDED MARCH 31, 2006

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

May 10, 2006

INDEPENDENT AUDITOR'S REPORT

To the Administrative Board of the
Clio Area Fire Authority

We have audited the accompanying financial statements of the governmental activities and each major fund, of Clio Area Fire Authority as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clio Area Fire Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, of the Clio Area Fire Authority as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II - VIII are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clio Area Fire Authority's basic financial statements. The accompanying other supplementary information, as identified, in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

As management of the Clio Area Fire Authority, we offer readers of the Clio Area Fire Authority's financial statements this narrative overview and analysis of the financial activities of the Clio Area Fire Authority for the fiscal year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

- A. The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$1,363,993 (net assets) for 2006.
- B. The government's total net assets increased by \$69,886.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Clio Area Fire Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements: (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the operation & maintenance fund and capital fund, both of which are considered to be major funds.

The Authority adopts an annual appropriated budget for its operation & maintenance fund and capital fund. Budgetary comparison statements have been provided for the operation & maintenance fund and capital fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 3 through 4 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those fund are *not* available to support the Authority's own programs.

The basic fiduciary fund financial statements can be found on pages 5 through 6 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. The supplementary information can be found on pages 15 through 16 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Authority, assets exceed liabilities by \$1,363,993 at the close of 2006.

Thirty-six percent of the Authority's net assets are reflected in its investment in capital assets (e.g., land, building, machinery, infrastructure and equipment), less and related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Clio Area Fire Authority's Net Assets

<u>NET ASSETS SUMMARY</u>			
<u>ASSETS</u>			
Current Assets			\$920,553
Capital Assets			485,813
<u>TOTAL ASSETS</u>			<u>\$1,406,366</u>
<u>LIABILITIES</u>			
Current Liabilities			\$42,373
<u>NET ASSETS</u>			
Invested in Capital Assets - Net of Related Debt			485,813
Restricted - Subsequent Years Expenditures			531,720
Unrestricted			346,460
Total Net Assets			\$1,363,993
<u>TOTAL LIABILITIES AND NET ASSETS</u>			<u>\$1,406,366</u>

During fiscal year ended March 31, 2006, the Authority's net assets increased by \$69,886.

CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

RESULTS OF OPERATIONS:

For the fiscal year ended March 31, 2006, the Government-wide results of operations were:

REVENUES

Program Revenues:

Charges for Services	\$2,851
Operating Grants & Contributions	<u>14,008</u>
Total Program Revenues	\$16,859

General Revenues:

Property Taxes Levied for General Operations	531,720
Investment Earnings	14,522
Other General Revenues	<u>11,240</u>
Total General Revenues	<u>\$557,482</u>
Total Revenues	\$574,341

EXPENSES

Public Safety	385,944
Depreciation	<u>118,511</u>
Total Expenses	<u>\$504,455</u>

<u>INCREASE IN NET ASSETS</u>	\$69,886
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<u>BEGINNING NET ASSETS</u>	<u>1,294,107</u>
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<u>ENDING NET ASSETS</u>	<u><u>\$1,363,993</u></u>
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CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

OPERATION & MAINTENANCE FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

OPERATIONAL & MAINTENANCE FUND

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$375,078	\$375,078	\$435,024	0.00	15.98
Expenditures	387,131	374,212	374,508	3.34	0.08
<u>TOTAL</u>	<u>(\$12,053)</u>	<u>\$866</u>	<u>\$60,516</u>		

Original vs. Final Budgets

Revenues

There was no change between original and final budget.

Expenditures

Differences between the original budget and the final amended budget represent many line items that were decreased. Expenditures across the board were cut.

Actual Results vs. Final Budgets

Revenues

Revenues were more than expected because of investment income and cost recovery income. Also, tax collections were greater than budgeted.

Expenditures

The difference between actual and final budgets amount were due to an increase in expenses for equipment.

CAPITAL FUND

CAPITAL FUND

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$124,901	\$124,901	\$139,317	0.00	11.54
Expenditures	12,453	13,918	11,436	11.76	17.83
<u>TOTAL</u>	<u>\$112,448</u>	<u>\$110,983</u>	<u>\$127,881</u>		

CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

CAPITAL FUND (Continued)

Original vs. Final Budgets

Revenues

There was no change between original and final budget.

Expenditures

Differences between the original budget and the final amended budget were due to the increase of vehicle maintenance.

Actual Results vs. Final Budgets

Revenues

Tax collections and investment income was greater than expected.

Expenditures

The budget line item vehicle maintenance did not expend as much as anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Net Investment in Capital Assets

The Authority's net investment in capital assets decreased by \$118,511 during the fiscal year. This can be summarized as follows:

	Balance 4-1-05	Additions	Deductions	Balance 3-31-06
Capital Assets	\$1,806,913	\$0	\$0	\$1,806,913
Less: Accumulated Depreciation	(1,202,589)	(118,511)	0	(1,321,100)
<u>Net Investment Capital Outlay</u>	<u>\$604,324</u>	<u>(\$118,511)</u>	<u>\$0</u>	<u>\$485,813</u>

Economic Factors and Next Year's Budget and Rates

The Authority is currently under a contract with three taxing units to collect 1% of the total levy. This contract expires late 2007.

The Clio Area Fire Authority's 2006/2007 adopted budget is as follows:

REVENUE

Operation & Maintenance Fund	\$398,413
Capital Fund	132,804
Total Revenue	<u>\$531,217</u>

EXPENDITURES

Operation & Maintenance Fund	603,661
Capital Fund	13,959
Total Expenditures	<u>\$617,620</u>

<u>NET (UNDER) BUDGET</u>	<u>(\$86,403)</u>
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CLIO AREA FIRE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Business Office, Clio Area Fire Authority.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENTS OF NET ASSETS
MARCH 31, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$692,437
Due From Other Governmental Units	228,116
Total Current Assets	<u>\$920,553</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	1,806,913
Less: Accumulated Depreciation	<u>(1,321,100)</u>
Total Noncurrent Assets	<u>\$485,813</u>
<u>TOTAL ASSETS</u>	\$1,406,366
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accrued Payroll	41,707
Payroll Liabilities	666
Total Current Liabilities	<u>\$42,373</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	485,813
Restricted for Subsequent Expenditures	531,720
Unrestricted	<u>346,460</u>
<u>TOTAL NET ASSETS</u>	<u>\$1,363,993</u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Public Safety	<u>\$504,455</u>	<u>\$2,851</u>	<u>\$14,008</u>	<u>(\$487,596)</u>
<u>TOTALS</u>	<u>\$504,455</u>	<u>\$2,851</u>	<u>\$14,008</u>	<u>(\$487,596)</u>
General Revenues:				
Property Taxes				531,720
Investment Earnings				14,522
Miscellaneous				<u>11,240</u>
Total General Revenues and Transfers				<u>\$557,482</u>
Change in Net Assets				<u>\$69,886</u>
Net Assets - Beginning				<u>1,294,107</u>
<u>Net Assets - Ending</u>				<u>\$1,363,993</u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	Operation & Maintenance Fund	Capital Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$489,175	\$203,262	\$692,437
Due from Other Funds	19,276	0	19,276
Due From Other Governmental Units			
City of Clio	34,441	11,481	45,922
Vienna Township	21,202	7,067	28,269
Thetford Township	115,444	38,481	153,925
<u>TOTAL ASSETS</u>	<u>\$679,538</u>	<u>\$260,291</u>	<u>\$939,829</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$0	\$19,276	\$19,276
Accrued Payroll	41,707	0	41,707
Payroll Liabilities	666	0	666
Total Liabilities	<u>\$42,373</u>	<u>\$19,276</u>	<u>\$61,649</u>
<u>FUND BALANCES</u>			
Restricted for Subsequent Expenditures	398,915	132,805	531,720
Unreserved	238,250	108,210	346,460
Total Fund Balances	<u>\$637,165</u>	<u>\$241,015</u>	<u>\$878,180</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$679,538</u>	<u>\$260,291</u>	<u>\$939,829</u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2006

Total Governmental Fund Balances:	\$878,180
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds. The cost of the assets is \$1,806,913 and the
accumulated depreciation is \$1,321,100

485,813

TOTAL NET ASSETS -
GOVERNMENTAL ACTIVITIES

<u>\$1,363,993</u>

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	Operation & Maintenance Fund	Capital Fund	Total Governmental Funds
<u>REVENUES</u>			
Contributions From Local Units	\$398,915	\$132,805	\$531,720
Cost Recovery	2,851	0	2,851
Donations	1,600	0	1,600
Grants	5,896	6,512	12,408
Earnings on Investments and Deposits	14,522	0	14,522
Other Income	11,240	0	11,240
Total Revenues	<u>\$435,024</u>	<u>\$139,317</u>	<u>\$574,341</u>
<u>EXPENDITURES</u>			
Operation and Maintenance	374,508	0	374,508
Vehicle Maintenance	0	11,436	11,436
Total Expenditures	<u>\$374,508</u>	<u>\$11,436</u>	<u>\$385,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$60,516	\$127,881	\$188,397
<u>FUND BALANCE - BEGINNING</u>	<u>576,649</u>	<u>113,134</u>	<u>689,783</u>
<u>FUND BALANCE - ENDING</u>	<u>\$637,165</u>	<u>\$241,015</u>	<u>\$878,180</u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Total net change in fund balances - governmental funds	\$188,397
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Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlay exceeded depreciation in the
current period.

<u>(118,511)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

<u><u>\$69,886</u></u>

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2006

	Trust & Agency
<u>ASSETS</u>	
Investments	<u>\$120,357</u>
<u>TOTAL ASSETS</u>	<u><u>\$120,357</u></u>
<u>LIABILITIES</u>	
Due to Fire Fighters	<u>\$120,357</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$120,357</u></u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2006

	<u>Trust & Agency</u>
<u>REVENUES</u>	
Investment Income	\$15,737
Contributions from Operation & Maintenance Fund	<u>20,000</u>
Total Additions	\$35,737
 <u>EXPENDITURES</u>	
Fire Fighter Recognition	<u>20,943</u>
Excess of Revenues Over Expenditures	\$14,794
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>105,563</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u><u>\$120,357</u></u>

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
OPERATION & MAINTENANCE FUND
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>	\$375,078	\$375,078	\$435,024	\$59,946
<u>EXPENDITURES</u>				
Operation and Maintenance	<u>387,131</u>	<u>374,212</u>	<u>374,508</u>	<u>(296)</u>
Excess of Revenues Over (Under)				
Expenditures	(\$12,053)	\$866	\$60,516	\$59,650
<u>FUND BALANCE - BEGINNING</u>			<u>576,649</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$637,165</u>	

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>	\$124,901	\$124,901	\$139,317	\$14,416
<u>EXPENDITURES</u>				
Vehicle Maintenance	<u>12,453</u>	<u>13,918</u>	<u>11,436</u>	<u>2,482</u>
Excess of Revenues Over (Under)				
Expenditures	\$112,448	\$110,983	\$127,881	\$16,898
<u>FUND BALANCE - BEGINNING</u>			<u>113,134</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$241,015</u>	

See accompanying notes to the basic financial statements.

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1) DESCRIPTION OF FIRE AUTHORITY OPERATIONS AND FUND TYPES

The Clio Area Fire Authority was formed in April 1976, by an agreement (joint venture) between the City of Clio, Vienna Township and Thetford Township, under the provisions of Act 33, Public Acts of 1951, as amended. The purpose of the Authority is to operate a fire department on a shared cost basis and provide adequate fire protection for residents of the three municipalities. The Authority is governed by a 7 member board appointed by the governing bodies of the participating members.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the Clio Area Fire Authority contain all the Authority funds and account groups that are controlled by or dependent on the Authority's board members. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clio Area Fire Authority conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the Authority's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the Authority's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Authority's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Authority first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into two generic fund types and one broad fund category as follows:

GOVERNMENTAL FUNDS

General Fund – Operation & Maintenance Fund

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Fund

This fund's purpose is to use the contribution of a ¼ mill equivalent to purchase major firefighting equipment and vehicle maintenance.

At least ninety percent (90%) of all funds deposited shall be used exclusively for the purchase of major firefighting vehicles and an amount not greater than ten percent (10%) shall be used for vehicle maintenance.

FIDUCIARY FUND TYPES

Trust and Agency

These funds are held by the Authority in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These funds include the fire fighter recognition funds.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

The Authority reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The Authority considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

The fixed assets at inception of the Authority are being leased, at one dollar per year, from the three municipalities. The fixed assets acquired after the creation of the Authority, are purchased by and belong to the Fire Authority.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Equipment	5 – 10 years

F) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

H) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I) BUDGETS AND BUDGETARY ACCOUNTING

The Fire Chief prepares and submits a proposed operating budget for the General Operating Fund to the Fire Authority Board for its review and consideration. A public hearing is not held prior to the subsequent adoption of the operating budget by the Board. The Board approves all budget amendments. The Board of the Authority is required to submit an annual operating budget to the governing body of each municipality, prior to February 15th of each year.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Authority for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the Authority had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Credit Quality Rating	Portfolio %
Mutual Funds - Equities	\$105,563	N/A	N/A	100.00%

Interest rate risk. In accordance with its investment policy, the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Authority's investments are in mutual funds and pooled investment accounts which represents 100% of the Authority's total investments.

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of March 31, 2006, \$399,452 of the Authority's bank balance of \$710,438 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Deposits	\$ 692,437
Investments - Fiduciary Fund	<u>120,357</u>
<u>TOTAL</u>	<u>\$ 812,794</u>

As of March 31, 2006, the Clio Area Fire Authority has not adopted an investment policy in accordance with GASB 40.

5) FIRE AUTHORITY INTER-LOCAL AGREEMENT

The Fire Authority Inter-Local Agreement provides that each municipality will provide such amounts as are necessary to cover 1/3 of the fixed operational costs. The amended agreement dated January 15, 1993, provides that each municipality contribute the equivalent of one mill of the state equalized valuation of real and personal property within their boundaries or an equal amount from the general fund by April 1st of each year. The equivalent of ¼ mill of the total shall be contributed to the capital fund. This method of funding was agreed to for a period of 15 years beginning on December 1, 1992 and ending November 30, 2007.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal.

In addition, the Fire Authority Board is required to submit an annual operating budget to the governing body of each municipality, prior to February 15th of each year. The Secretary/Treasurer acts as the purchasing agent for the Fire Department.

6) DUE FROM OTHER UNITS OF GOVERNMENT

As of March 31, 2006, the Fire Authority had amounts due from other units of government as follows:

City of Clio	\$ 45,922
Vienna Township	28,269
Thetford Township	<u>153,925</u>
<u>TOTAL</u>	<u>\$ 228,116</u>

The above amounts represent the remaining uncollected one mill tax equivalents due.

CLIO AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

	<u>BALANCE</u> <u>4-1-05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>3-31-06</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment	\$1,806,913	\$0	\$0	\$1,806,913
Less: Accumulated Depreciation				
Equipment	<u>(1,202,589)</u>	<u>(118,511)</u>	<u>0</u>	<u>(1,321,100)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$604,324</u>	<u>(\$118,511)</u>	<u>\$0</u>	<u>\$485,813</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Public Safety \$118,511

8) INTERFUND ACTIVITY

Interfund activity at March 31, 2006 consisted of the following:

DUE FROM	
DUE TO	
	Operation & Maintenance Fund
Capital Fund	<u>\$19,276</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

9) FUND BALANCE RESERVES

In accordance with the Inter-Local Fire Authority Agreement, the contributions from local units to be received by April 1 of each year are to be used for the subsequent years budget. Therefore, the contributions received or receivable at March 31st are reserved for the subsequent years expenditures.

10) CONTINGENCIES

In the ordinary course of business, the Authority is involved in various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

11) RETIREMENT PLAN

In April, 2004, the Authority approved a 403(b) plan. All employees are eligible to participate in the plan. The Authority does not contribute to this plan.

12) RELATED PARTY

The Authority purchases gas from a board member's business. For the fiscal year ended March 31, 2006, the Authority spent \$7,350.

OTHER SUPPLEMENTAL
INFORMATION

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
OPERATION & MAINTENANCE FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2006

EXPENDITURESOperation & Maintenance

Fire Prevention	\$3,419
Training	9,956
Wages & Salaries	148,698
Payroll Taxes	13,088
Board Members	4,125
Operating Supplies	4,955
Gasoline/Diesel	8,813
Audit and Bookkeeping	21,888
Contractual Services	1,202
Radio Maintenance	3,583
Telephone	7,053
Insurance	25,129
Recognition	20,000
Utilities	18,529
Building Maintenance	4,080
Miscellaneous	4,793
Dues and Memberships	620
Equipment Replacement	4,630
Equipment and Gear	58,820
Medical Expense	1,521
Office Expense	9,606

TOTAL EXPENDITURES

\$374,508

CLIO AREA FIRE AUTHORITY - CLIO, MICHIGAN
CAPITAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES

Year Ended	Contrib. From Local Units	Capital Fund Ninety	Vehicle Maintenance		Ten Percent Required	Over	Major Capital Equipment	
	Actual	Percent	Actual	Percent	Amount	(Under)	Amount	Description
3-31-95	\$285,388	\$64,212	\$5,119	1.79%	\$7,135	(\$2,016)	\$0	
3-31-96	293,988	66,147	8,487	2.89%	7,350	1,137	0	
3-31-97	308,049	69,311	5,006	1.63%	7,701	(2,695)	269,070	1997 Tanker
3-31-98	334,483	75,259	12,107	3.62%	8,362	3,745	0	
3-31-99	351,288	79,040	9,277	2.64%	8,782	495	0	
3-31-00	370,703	83,408	11,625	3.14%	9,268	2,357	0	
3-31-01	398,165	89,587	5,659	1.42%	9,954	(4,295)	30,466	Suburban
3-31-02	423,257	95,233	7,917	1.87%	10,581	(2,664)	135,454	Pierce Fire Truck Pmt
							32,932	Suburban
3-31-03	450,544	101,372	7,940	1.76%	11,264	(3,324)	125,443	Pierce Fire Truck Pmt
							4,060	Loan Refinance Fee
3-31-04	469,286	105,589	11,637	2.48%	11,732	(95)	125,443	Pierce Fire Truck Pmt
3-31-05	493,940	111,137	10,961	2.22%	12,349	(1,388)	250,886	Pierce Fire Truck Pmt
3-31-05							66,982	2 New Trucks & Equipment
3-31-06	<u>531,720</u>	<u>119,637</u>	<u>11,436</u>	<u>2.15%</u>	<u>13,293</u>	<u>(1,857)</u>	<u>0</u>	
<u>TOTALS</u>	<u>\$4,710,811</u>	<u>\$1,059,932</u>	<u>\$107,171</u>	<u>2.27%</u>	<u>\$117,771</u>	<u>(\$10,600)</u>	<u>\$1,040,736</u>	

Amount to be paid on major firefighting vehicles - per agreement (90% of 25%) 22.5%. Vehicle Maintenance (10% of 25%) 2.5%.

	\$4,710,811
	22.50%
	<u>\$1,059,932</u>
<u>Less: Major Equipment</u>	<u>(1,040,736)</u>
	\$19,196
Add: Under Maintenance	<u>18,334</u>
<u>BALANCE - 3-31-06</u>	<u>\$37,530</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

May 10, 2006

To the Board of the Clio Area Fire Authority

In planning and performing our audit of the financial statements of Clio Area Fire Authority for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Clio Area Fire Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Listed below are the reportable conditions and item of comment and recommendation, none of which is a material weakness:

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Clio Area Fire Authority incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of the Clio Area Fire Authority's accounting staff, ideal segregation of responsibilities for internal control purposes is impractical. An effective system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. We recognize that the Clio Area Fire Authority probably was not large enough to make the employment of additional persons, for the purpose of separating duties, practicable from a financial standpoint; but we are required, under our professional responsibilities, to call this situation to your attention.

3. Journal Entries

All journal entries should be printed, approved and have support attached.

4. Bank Statements

The Treasurer or Board President should receive the bank statements unopened, review them and initial them as proof of the review.

5. Investment Policy

The Authority should adopt an investment policy in accordance with GASB 40.

6. Recognition Fund

The Authority's fire fighter recognition fund functions as a non-qualified deferred compensation plan. The Board should determine if this treatment is consistent with the treatment of payments to fire fighters as employees.



Clio Area Fire Authority

Page 2

May 10, 2006

FUTURE ISSUES

GASB #45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Clio Area Fire Authority, the effective implementation date must begin by December 15, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

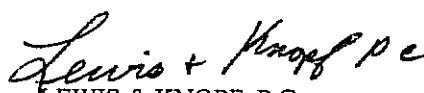
Governments may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the audit committee, management, others within the administration and regulatory agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.


LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS